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EXHIBIT A



Datascan Systems Inc.

The Superimposed Accounting System
[The Overlay System]

Purpose and Usage



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INTRODUCTION

Small business computer accounting systems (CAS) are designed to do much more than can be learned and managed by small business (SB) operators they must look to outside help for several levels of operation and understanding support. This outside help at times appears to be in competition at these different levels. Small business sometimes encourages this competition because cheaper may appear to be better than expensive professional results.

CAS systems have excelled in functional transactional analysis, however the GL Analysis, adjustment and reporting of business financial transactions is an area surrounded by mystery that may yield mixed results. Accounting information can be mishandled several times without criticism.

We have created the overlay (OL) management system to solve the above mentioned mystery and offer usage patterns that will improve the following operations.

1. The management of single type CAS/OL accounting operations involving two or more separated parties.
2. The management of a multiple type CAS/OL accounting system operations involving two or more separated parties.

NOTE: Types of reports would include: money management FIT and GAAP reports.



II Systems

- A. Accounting Systems
 - Phases of Accounting
 - OTC/CAS Subsystem Categories
 - The OverLay System
- B. CAS/Overlay Networks

ACCOUNTING SYSTEM

| Phases of Accounting | OTC/CAS Subsystem Categories | The Overlay System |
|--|--|---|
| 1. Transaction Management | Functions (host): Cash, AR, AP, PR Inventory (Special) Unadjusted reports | |
| 2. Data Review/ GL Adjustment | Merged (host) AJE Adjusted Reports | Overlay 1. Money mgmt-AJE/Reports 2. FIT-AJE/Reports 3. GAAP-AJE/Reports |
| 3. Paginated GL Reports development | Export File FIT/GAAP | |

The Overlay System

Data Entry

1. Set-up (none)
2. Designate overlay type: Money Management (MM), FIT, GAAP, etc.
3. Enter: (1) overlay type, (2) affected period, (3) year, (4) affected department, (5) description, (6) affected account - MV window

Report

Set up (none)

Select: any type; any period - from/to; any department or division or consolidated etc.

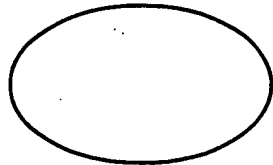
1. Comparative overlay balance sheet
2. Overlay income (loss) statement
3. Affected overlay account audit report
4. TB export file transfer (not developed yet)

Utilities

Maintain overlay types; produce listings; change options

CAS/OVERLAY NETWORKS

Kind A



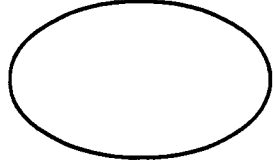
A

Controllership

Other

1. Host/Overlay systems management for money

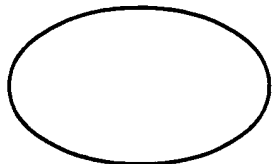
Practitioners



L

mgmt purposes

1. Overlay systems mgmt for:



L

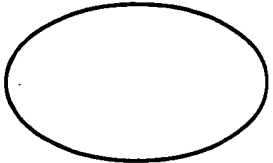
2. Financial modelling for projections/tracking

FIT-AJE/Reports

GAAP-AJE/Reports

Small Business
CAS HOST Systems

Kind B



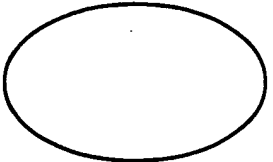
A

Bookkeeping

Other

1. PBS Host Systems Management

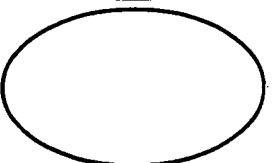
Practitioners



L

2. Audit Trail Mgmt Booklet

1. Overlay systems mgmt for:



L

Money mgmt -AJE/Reports

FIT-AJE/Reports

GAAP-AJE/Reports

Small Business
Incomplete CAS
Operations/Manual
Records

Note: We have implemented both of the above kinds of operations. The kind B operation is forms procedures controlled.



III Process Bookkeeping Services

| | | |
|----|---------------------------------|----|
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PROCESS BOOKKEEPING SYSTEMS (PBS)

| <u>Kinds</u> | <u>Small Business (SB)</u> | <u>Practitioners</u> |
|---|--|--|
| KIND A: SB manages CAS Host system with SC support: uses Data scan | 1. Manages CAS Host System • Functions • Diskette transfers Out 2. Manages Collateral Data • Fixed Assets • Contracts, etc. | 1. Manages diskette transfers (input) 2. Manages overlay (OL) system 3. Manages audit trail data (booklet) |
| KIND B: Service Center (SC) Manages Host system with SB support | 1. Provides <u>Best Source</u> Entry data (hard copy) 2. Manages collateral data | 1. Manages host system 2. Manages OL system 3. Manages audit trail data (booklet) |

NOTE: CAS host data, PBS processed before overlay AJE adjustments, do not necessarily involve basis of accounting (cash, accrual, etc.) considerations. They involve best source considerations.

PROCESS BOOKKEEPING SYSTEMS (PBS) CAS (DATASCAN) OVERLAY SYSTEM

| <u>Process:</u> | <u>KIND A</u> | <u>KIND B</u> | <u>KIND B</u> |
|---|--|--|--|
| I. Receive Host Data | Electronic Transfer [Data Scan] | Receive Hard Copies [manual system] | Receive Hard Copies [other CAS] |
| II. Process Host Data | NA | Input Best Source: 1. Cash transactions • Checks written ck reg-serial entry • Deposits ck register and/or Bank stmt • Bank DR/CR Bank Stmt analysis 2. Sales • Register summary or state DOR reports • Payroll Data • SC processed or PR tax reports | Input Host TB Data |
| <div style="border: 1px solid black; padding: 10px; display: inline-block; width: 150px;"> <p>The PBS Sytem is an important advance in small busi-ness data processing</p> </div> | | | |
| III. Process Overlay AJE | 1. Money Mgmt (MM) AJE inline 2. FIT-AJE basis/ noncash 3. GAAP-AJE basis/ non-cash | 1. MM adjustments, direct to SC host • Permanent AJE • Cut off AJE 2. FIT-AJE basis/ non cash 3. GAAP-AJE basis/ non-cash | 1. MM adjustments, direct to SC host • Permanent AJE • Cut off AJE 2. FIT-AJE basis/ non-cash 3. GAAP-AJE basis/ non-cash |
| IV. Return (post) to SB Host | 1. Permanent AJE • Fixed asset purchase • Contracts • Corrections, etc. | N/A | N/A |

NOTE: We exerceise forms control over the PBS process.

PROCESS BOOKKEEPING SYSTEMS (PBS) BEST SOURCE METHODS

Use Best Sources of client accounting information

Use Clearing accounts when appropriate

Post to obvious expense accounts
and not to related BS Accounts

Except for
Fixed asset purchases
and contract payments.

FA Payments can be posted to appropriate BS accounts to
be adjusted later based on collateral data.

Contract payments can be posted to a BS clearing account
to be adjusted later based on collateral data.

NOTE: The client is responsible, PBS methods do not initially involve
searches/audit analysis. Practitioners can decide after discussions with
clients on what steps should be taken to resolve differences.

PROCESS BOOKKEEPING SYSTEMS (PBS) BEFORE AND AFTER

Before

- Single purpose crisis mgmt
- Duplication
- Low expectations

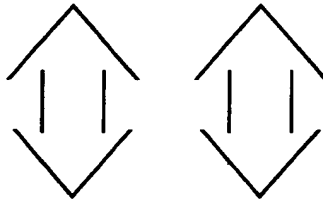
Bookkeeping

Low expectations

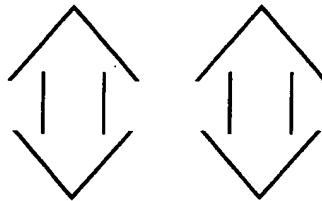
Low performance

Hierarchy

Professional



| Process Bookkeeping | |
|---------------------|---------------|
| <i>Kind A</i> | <i>Kind B</i> |
| SB Manages | SC Manages |
| Host System: | Host System: |
| SC Manages | SC Manages |
| OL System | OL System |



All Small Business

After

- Multipurpose PBS development/mgmt
- High expectations [Non redundant]

• High expectations

• High performance

\$35 to \$50 per hr

• Interface mgmt
[electronic transfers]

Limited Help

- Start up
- Operating
- Maintenance

No Help

- Money Mgmt

Purposeful Help

- The OTC/OL Systems engagement
- Money Mgmt [PBS Assurances]
- Financial Modelling possibilities



IV Character

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- C. Simplicity 15

PURPOSE

CAS SYSTEMS

A CAS System is simply the automation of the process of record keeping for business financial transactions. The value of a system is determined in how it serves:

1. The small business (SB)
2. Service centers (SC) that support SB
3. Professionals that support SC/SB

OVERLAY SYSTEM

The overlay system is an addendum to a CAS system that allows the creation of a special group (types) of Financial reports without affecting CAS host GL Data. These special types of financial reports are to be created and maintained by accountant/controller/professionals practitioners doing special tasks and reporting functions.

SPECIAL TASKS

AJE Maintenance (OL)
OL Account Code Maintenance
Type Maintenance

Report Purposes

- Complete overlay audit trail
- Balance sheets / P & L
- Working capital analysis
- Changes in financial position analysis
- Cash Flow analysis
- Break even analysis
- Export files

REPORT FUNCTIONS

Money Management
FIT Reports
GAAP Reports
ETC.

RESPONSIBILITY

SMALL BUSINESS (SB)

Responsibility for host business financial transactions in original form and as functional entries (host)

Why: foundation for tax, financial statement data management.

SERVICE CENTER (SC)

Responsible for host permanent and temporary AJE entries for multiple purposes.

Why: this is independent practitioner work that is guided by professional and legal considerations.

PROFESSIONAL

Responsibilities for preparation of paginated reports from SB host data for multiple purpose.

COMMENTS

The merging of SB host data with SC adjustments for several special purposes has been problematic before the OL System.

The use of TB software to merge SB host data with SC adjustments for multiple purposes has been problematic before the OL System.

Single /multipurpose AJE entries were not suspended and reported properly before the OL System.

See services center comments

SIMPLICITY

Business systems are complex enough. We are fortunate with the overlay system that it is the interface between two more complex sub systems—the functional (1) and the paginated (3) systems. It proves itself for completeness and accuracy by taking from category (1) all it needs and providing to category (3) all the data it wants. Therefore, the simplified Datascan overlay system operations are justified. But not only justified, they are necessary to reduce confusion and improve review/data management operations.

We have rejected three CAS adjunct “temptations” for adding complications:

(1) An adjunct DR /CR adjustment screen

why: included in work papers

(2) Adjunct work papers

why: printouts from Host CAS are available and other work papers are self explanatory and need only be numerically referenced

(3) Adjunct Report Options

why: because the one report “pair” provides the most information that can be automatically rendered.

We have also opted for a no closing overlay system whose interim BOY/YTD data is always subject to HOST data changes, and the same is true for year end HOST data changes. An examination of equity accounts, among other things, will alert OL operators and adjustments can be changed or not.

The report structure provides the optimal simplified automated financial statement report presentation results for all types. Money management and other reports are shown in examples with some explanation in exhibit A for small business.

V The OTC Systems Engagement


It is possible to do an OTC/OL systems engagement with important objectives that can be met and have the engagement be profitable.

Circumstances

Small business are forced (?) to use independent practitioners to prepare FIT and (GAAP) Bank financial statements - this involves three kinds approaches (pg 9) to process bookkeeping services from necessity. The OTC/OL systems engagement builds from this necessity into a naturally integrated data management system with realizable objectives:

| 1. The start up engagement | SB | Service Center | | |
|---|----|----------------|-----------|--------------|
| | | 1st stage | 2nd stage | professional |
| <u>Define:</u> | | | | |
| Objectives of all parties | | | | |
| CAS/OL utilization | | | | |
| Host System | X | | | |
| Ancillary systems | X | | | |
| Process Bookkeeping (PBS) | X | | | |
| <u>Results</u> | | | | |
| Money Management reports | X | | | |
| FIT Reports | X | | | |
| GAAP Reports | X | | | |
| <u>Perform:</u> | | | | |
| Train/install and maintain (sell) hardware/software and PBS systems | X | | | |
| 2. Ongoing Engagement | X | | | |
| (See <u>Perform</u> above) | | | | |
| 3. Replacement engagement | | | | |
| <u>Define</u> (See above) | X | | | |
| <u>Perform</u> (See above) | X | | | |

Integrated
data mgmt
(and)
controlled
ongoing
operations
networks, etc.



VI Methodologies

| | | |
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IN LINE PRACTICES

Service Centers (SC) do provide CAS startup training/installs for small business (SB). However, each business venture, when it is considered to be ongoing, can use money management (mm) information. The CAS/OL system anticipates this need with inline, electronic transfer, and AJE methodologies.

The SC can support Kind A operations with inline methodologies as follows:

1. Receive SB host data by electronic transfer
2. The review and OL adjustment of host data at SC for both permanent and cut off adjustment purposes to produce MM reports.
3. Take MM reports and OL adjustments to SB client for review - enter permanent AJE information into SB host system.
4. The above inline process can be repeated at year end and all adjustments may be made permanent.

The SC inline practise is designed for Kind A small business operations and also for kind B bookkeeping practises where the Bookkeeping service center becomes the host data developer for other practitioners.

KIND B (TB) MANAGEMENT

The CAS/OL system can be managed like a TB software system where TB data is take from any other CAS System and entered into the host SC system so that integrated OL system management becomes possible.

An example of the TB data entries into a SC host system is as follows:

1. Enter BOY trail Balance
2. Enter YTD Trail Balance (1st)
Reverse out BOY Trail Balance
3. Enter YTD trail balance (2nd) reverse out 1st YTD trial balance
Etc.

Note: The GL codes would have to be set up again - electronic transfer (kind A) eliminates this requirement.

SPAN ACCOUNTING

Span accounting is TB data management taken always from BOY to chosen YTD data. The OL adjustments made to BOY are always then added to the TB for YTD data which then is adjusted to determine YTD adjusted data for reports, etc.

This is an important small business (SB) accounting perspective and TB data management treatment for the following reasons:

Real Time Perspective

SB Transactional entries can be erroneous. CAS systems allow for correction of entry screen data on a real time basis which changes data throughout the system, regardless of period involved. This is the best system for clerical understanding and management of transactional data.

Closed Period Perspective

Small business CAS transactional data is frozen or closed periodically to allow for TB data management without concern for uncontrolled changes of data in closed period. This is the classic approach which necessitates that errors remain in transactional systems for closed periods and open period adjustments to correct these errors are erroneous in that period but corrective overall. This is confusing to clerical operators but deemed necessary for TB management systems operators. The two perspectives have been set in an "unresolved conflict".

TB Data Management (Overlay System)

The TB overlay system solves the "two perspectives" conflict by allowing (clerical) real time transactional operations (even after year end) and the TB data management operations to perform all in the same CAS system of multiple purposes. The host Datascan GL system is closed annually. The overlay system data is not automatically closed annually but must be reviewed and re-entered at the beginning of each new year. There are just too many variables to make an automatic closing worthwhile.

Important

The overlay system and the Host system operated on for any BOY/YTD period of accounting are complete. An electronic or hard copy of this data is then complete. After-the-fact Host data changes can be addressed when and if they occur.

RECOVERY PRACTISES

Circumstances

CAS Systems allow small businesses to correct errors by changing original entries using entry screen data on a real time basis which changes data throughout the system regardless of period involved.

After initial service center processing, when the underlying Host data is (subsequently) updated by electronic transfer, that new host data must be examined through the initial period already processed to see if it has been altered. The following examination and recovery processes are recommended.

[Prior YTD overlay adjustments also can be ignored or deleted in subsequent BOY/YTD processing. However, BOY conditions should always be re-examined.]

Re-examination

Print out new "Comparative Overlay Balance Sheets" report for BOY to prior YTD before addressing OL entries. Examine by comparison to hard copy report on file of same period to determine any differences. Examine Host data to determine cause of differences.

Recovery Process

Upon examination and determination of the causes of any differences in Host TB data (see above), the overlay BOY adjustments can be revised as necessary. After the BOY revision is made, the same computer overlay Balance Sheets report can be re-run to determine any remaining prior YTD differences which may necessitate overlay YTD adjustments as necessary. The prior YTD overlay adjustment entry also can be deleted in extreme cases.

Note: An examination and recover process is required for all small business and service center accounting. The overlay system facilitates the process.



VII Professional Aspects

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MAKING MONEY CONTROL WORK

1. Financial Model

Make financial model that will forecast, track (predict) bottom line profit or loss on an accrual basis without non cash adjustments, that adds to (profit) or reduces (loss) net working capital.

2. Predict

Use financial model to predict current period profit or loss using available "key" data (sales, quantities, periods, etc.) but before a full accounting (host, OL) is completed. This is a simple process.

3. Analyze

Use the above predicted P&L to complete an analysis as follows:

| | | |
|--|---|----|
| A. Take predicted profit or loss | ± | \$ |
| B. Then add | | |
| Other sources of funds | | |
| Owner Bank Loans | ± | \$ |
| Sale of FA | ± | \$ |
| Etc. | ± | \$ |
| C. Then deduct | | |
| Other uses of funds | ± | \$ |
| Owner withdrawals | ± | \$ |
| Contract payments | ± | \$ |
| Etc. | ± | \$ |
| D. To arrive at increase <decrease> to networking capital (A+B-C=D) | ± | \$ |

The same
information is
reported in
overlay systems
reports

Small business owners/managers can plan sources / uses of funds upon the above analysis to target a net working capital to be maintained for their business financial health, thus making financial control work. Sources and uses of funds are also "cash" sources and uses. This is brought into context within a continuing system of (host/overlay) accounting that utilizes cash performances measurement reports: overlay system reports.

PROFESSIONAL SUPPORT FOR CONTROLLERSHIP

Because the statement of changes in financial position is AICPA approved as outlined below and shows the same information as the overlay system analytical reports outlined below. This proves the professional support for the overlay money management controllership system.

Structure

1. Take BOY Networking capital

2. then add
sources of funds (cash)

3. then deduct
uses of funds (cash)

4. equals YTD net working capital

all non cash adjustments are removed
from above;

- depreciation
- amortization
- deferred charges/credits

Controllership Report Structure

1. Comparative Balance Sheet (BS)

Column one
BOY Balance Sheet (shows net working capital)

Column two
YTD Balance sheet (shows net working capital)

Column three
Changes in working capital (shows sources/uses)

Column four
Changes in non working capital (shows sources /
uses)

2. Income (loss) statement
Detailed sources/uses

CONTROLLERSHIP

1. Accrual Basis

Use host system functional accounting and overlay TB adjustment data management system to produce accrual basis analytical financial reports without non cash adjustments. The resulting profit or loss will be that P&L that increases or decreases net working capital.

2. In-Line

Use in-line functional accounting support practices.

3. Review

Use OL system analytical financial reports for system review (Controller/FIT/GAAP) and preparation of financial model.

4. Forecasting and Tracking

use above financial model for forecasts, tracking (predictions) and to target a best level of net working capital with consideration (planning) for other sources and uses of funds.

NOTE: A financial model can be used before complete accounting results are available—and in lieu of complete (adjusted) accounting, thereby reducing costs in some cases.

FINANCIAL MODELING

Premises

1. A CAS Continuum: A CAS system must be used at the small business and/or service center levels by clerical personnel; CAS and ancillary data must be provided to service centers / professionals for preparation of (GL) FIT / GAAP reports periodically.
2. A GL Structure: We have already identified three CAS subsystem categories: The first two categories must adopt a universal framework (structure) for GL accounting because:
 - (1) Clerical efficiency at the functional level:
 - (2) Understanding for category 1 data review and purposeful GL adjustments.
3. Universality: All business can be framed in either gross or detailed financial models.

The first premises recognizes necessity, and the second, a universal framework in which to develop and utilize basic financial modeling techniques for results which are as follows;

- a). Future projection ability; several projections can be made
- b). current period predictions ("key" based predictions)

The latter (b) can be used for financial management purposes before complete accounting results are available— and also in lieu of complete (adjusted) accounting, thereby reducing small business costs in some cases.

Basic Financial Modeling

1. Develop controllership data for a representative period.
2. Take the P & L data and analyses it into variable and periodic data, determine "key" data.
3. Develop (CAS) financial model to yield P&L for representative period.
4. Use financial model by entering key data and period data to generate projection and current period prediction.

NOTE: Financial planning "centers" on working capital, P&L, and periodic decisions on sources and uses of funds (cash).

PROCESS AS EDUCATION

Process

Accounting today is the process of developing financial information, using the right parties and computer systems to create useful reports-pay taxes etc.

Phases

- | | | |
|------------------------------------|------------------------------|------------------------------|
| 1. Transactional host data mgmt | 2. TB/GL adjustments mgmt | 3. Paginated systems mgmt |
|------------------------------------|------------------------------|------------------------------|

CAS subsystems

- | | | |
|---|---|------------------------|
| 1. Functional (host) [Cash, A/R, A/P, PR, Inv] | 2. Host system AJE Overlay System • Money mgmt AJE/Reports • FIT-AJE/Reports • GAAP-AJE/Reports | 3. FIT/GAAP Reports |
|---|---|------------------------|

Work Levels

- | | | |
|--|---|----------------------|
| 1. A small business service Center (PBS) work | 2. Service center patterned (PBS) work | 3. Professional work |
|--|---|----------------------|

The overlay system makes transparent the processes of review and adjustment of above reports, the standardization of reports improves their understanding. Case studies can be abstracted from actual small business examples to support instruction, training and education classes.

The first phase of accounting has always been learned by "doing". The second phase of accounting will now become an important part of the learning process by doing-through case studies and/or by actual business experience.

Small business each have a story to tell: systems, financial, marketing, employee etc. challenges. When money management reports can be related to these stories the instruction, training and educational value will be greatly enhanced. Everyone learns by example.



Exhibits

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SMALL BUSINESS

EXHIBIT A

I. Circumstances

Small businesses will be found in various modes of operation and financial condition. And there are issues of understanding usage.

A. Operational Modes

Start-up mode

1. From cash management only to all function management
2. From low transactional volume to high transactional volume
3. From simple to complex operations

Maintenance mode

see above

Growth mode

see above

B. Financial Conditions

1. Under financed
2. Financial stability
3. Financial improvement
4. Financial decline
5. Bankrupt

II. Understanding Usage

A. Process Bookkeeping services

Host Data management system

Overlay data management system

B. Money Management Reports

Understanding Financial Position

Sufficient working capital?

Asset investment status?

Debt structure (ST/LT)

Equity?

Understanding Results of Operations

- The elements thereof
- the bottom line: P&L

Understanding Changes in Financial Position

- Sources / uses of funds
- Sources / uses of cash

SERVICE CENTER EXHIBIT B

I. Circumstances

Small businesses cannot and are not expected to do all phases of accounting

OTC manufactures provide a system to do all phases of accounting

Service centers are confused?

II. Understanding usage

A. Process Bookkeeping Services

Host data management systems

Overlay data management systems

B. Money management reports

C. Interface management

Electronic Transfers

Paginated Reports (Export files)

III. CAS/OL Operations

There are two kinds of CAS overlay operations

KIND A: Small business manages HOST system data with service center support.

Service Center manages OL system support. Electronic transfers will be to service Centers and professionals.

KIND B: Service center manages HOST system data with small business support. Service Center manages OL system support. Electronic transfers are from SC to professionals, as necessary.

THE PROFESSIONAL EXHIBIT C

I. Circumstances

The Professional CPA separates himself from the aggravations of business bookkeeping and specializes in maintaining a tax practise Supplemented by preparing formal financial reports on demand. The small business and service center are charged with furnishing accounting data on demand. Most professionals do not even imagine a "money management" use of financial reports and could not conceive of a cost effective approach to produce them?

II Understanding usage

- A. Process Bookkeeping services?**
- B. Money Management Reports?**
- C. Interface management**

III. CAS/OL Operations?!

EXHIBIT D

Example 1: The Service Company

Kind A: Small business manages host system with Service Center support. Service Center manages Overlay system support. Electronic transfers will be to Service Centers and Professionals.

Reports

Type: FIT

Periods: 1/01/2000 to 12/31/2000

Permanent Adjusting Journal Entries (AJE)

Reclassifications

Non Cash

Temporary Adjusting Entries (Overlay Adjustment Entries)

None

THE SERVICES COMPANY
Comparative Overlay Balance Sheets
Overlay Type: FINANCIAL STATEMENT FIT
Consolidated Report
Beginning Year January 1, 2000 To December, 2000

Page 1

| Acct# Account..... | Jan, 2000 | Dec, 2000 | Working Cap. | Source/Use |
|-------------------------------|--------------|--------------|--------------|------------|
| ASSETS | | | | |
| Current Asset | | | | |
| ----- | | | | |
| 1005 KEYBANK | .00 | .00 | .00 | |
| 1111 Peoples Bank-General | 7,454.00 | <37,339.00> | -44,793.00 | |
| 1112 Peoples Bank-PR | 61,409.00 | 29,796.00 | -31,613.00 | |
| 1113 Petty Cash | 297.00 | 347.00 | 50.00 | |
| 1115 Peoples Bank-Operations | 1,314.00 | 1,093.00 | -221.00 | |
| 1200 Receivables | 99,978.00 | 107,066.00 | 7,088.00 | |
| 1213 Trust-Client | .00 | 596.00 | 596.00 | |
| TOTAL Current Asset | \$170,452.00 | \$101,559.00 | -68,893.00 | |
| Fixed Asset | | | | |
| ----- | | | | |
| 1450 Equipment | 2,789.00 | 2,789.00 | | .00 |
| 1452 Other Personal Prpt FA | 11,474.00 | 13,446.00 | | 1,972.00 |
| 1453 Vehicles | 35,890.00 | 35,890.00 | | .00 |
| 1460 Leasehold Imprmts | 4,081.00 | 4,081.00 | | .00 |
| 1600 Accumulated Depreciation | <49,126.00> | <49,126.00> | | .00 |
| TOTAL Fixed Asset | \$5,108.00 | \$7,080.00 | | 1,972.00 |
| Other Asset | | | | |
| ----- | | | | |
| 1214 Deposits-Rental | 3,595.00 | 3,595.00 | | .00 |
| 1800 Deposits-Landlord | 308.00 | 308.00 | | .00 |
| TOTAL Other Asset | \$3,903.00 | \$3,903.00 | | .00 |
| TOTAL ASSETS | \$179,463.00 | \$112,542.00 | -68,893.00 | 1,972.00 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| ----- | | | | |
| 2110 Accounts Payable | 4,931.00 | 6,837.00 | 1,906.00 | |
| 2131 Accrued Payroll | 50,081.00 | 48,602.00 | -1,479.00 | |
| 2132 Accrued Payroll Deduct | 41,933.00 | 31,995.00 | -9,938.00 | |
| 4231 Temp Liabilty | .00 | .00 | .00 | |
| TOTAL Current Liabilities | \$96,945.00 | \$87,434.00 | -9,511.00 | |
| Long Term Liabilities | | | | |
| ----- | | | | |
| 3140 Trust-Payroll | 1,298.00 | 3,977.00 | | |
| 2,679.00 | | | | |
| TOTAL Long Term Liabiliti | \$1,298.00 | \$3,977.00 | | 2,679.00 |
| TOTAL LIABILITIES | \$98,243.00 | \$91,411.00 | -9,511.00 | 2,679.00 |
| OWNERS EQUITY | | | | |
| Capital Control | | | | |
| ----- | | | | |
| 3101 Cash Clearing | .00 | .00 | | .00 |
| 3160 Trust-Client Start Up | .00 | .00 | | .00 |
| 3170 Trust-Misc Expense | .00 | .00 | | .00 |
| 3999 Intercompany | 38,624.00 | 38,624.00 | | .00 |
| TOTAL Capital Control | \$38,624.00 | \$38,624.00 | | .00 |

THE SERVICES COMPANY
Comparative Overlay Balance Sheets
Overlay Type: FINANCIAL STATEMENT FIT
Consolidated Report

Page 2

Beginning Year January 1, 2000 To December, 2000

| Acct# Account..... | Jan, 2000 | Dec, 2000 | Working Cap. | Source/Use |
|-----------------------------------|---------------------|----------------------------|-------------------|--------------------|
| Owner Equity | | | | |
| 3100 Capital Stock | 585.00 | 585.00 | | .00 |
| 3200 Additional Paid In Capitl | .00 | .00 | | .00 |
| 3301 Retained Earnings | 41,195.00 | 41,195.00 | | .00 |
| 3500 Dividends | .00 | <141,000.00> | | -141,000.00 |
| 5000 Owner/Partner Equity | 816.00 | 816.00 | | .00 |
| TOTAL Owner Equity | \$42,596.00 | <\$98,404.00> | | -141,000.00 |
| Y-T-D EARNINGS | \$.00 | \$80,911.00 | | 80,911.00 |
| TOTAL OWNERS EQUITY | \$81,220.00 | \$21,131.00 | | -60,089.00 |
| LIABILITIES AND EQUITY | \$179,463.00 | \$112,542.00 | -9,511.00 | -57,410.00 |
| CHANGES IN WORKING CAPITAL | | | -59,382.00 | -59,382.00 |

CURRENT SUMMARIES

| | | |
|----------------------------|------------------|------------------|
| Total Current Assets | 170,452.00 | 101,559.00 |
| Total Current Liabilities | 96,945.00 | 87,434.00 |
| Net Working Capital | 73,507.00 | 14,125.00 |
| Current Ratio | 1.7582 | 1.1616 |

THE SERVICES COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: FINANCIAL STATEMENT FIT
 Consolidated Report
 For Months of January, 2000 to December, 2000

| | Period | %age |
|-------------------------------|----------------|----------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 4153 State Revenue Support | 1,388,465.00 | * 99.49 |
| 4342 Client Revenue | 1,200.00 | * .09 |
| 4500 Misc Revenue | 5,985.00 | * .43 |
| | ----- | |
| TOTAL Revenue | \$1,395,650.00 | * 100.00 |
| ----- | | |
| NET REVENUES | \$1,395,650.00 | * 100.00 |
| ===== | | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 5410 Salaries & Wages | 915,847.00 | * 65.62 |
| 5701 Payroll Taxes | 111,263.00 | * 7.97 |
| | ----- | |
| TOTAL Salary/Wages Expense | \$1,027,110.00 | * 73.59 |
| Tax Expenses | | |
| ----- | | |
| 5428 Business Taxes | 28,323.00 | * 2.03 |
| | ----- | |
| TOTAL Tax Expenses | \$28,323.00 | * 2.03 |
| Fringe Benefits | | |
| ----- | | |
| 5801 Employee Benefits | 142,797.00 | * 10.23 |
| | ----- | |
| TOTAL Fringe Benefits | \$142,797.00 | * 10.23 |
| Other Operating Expense | | |
| ----- | | |
| 5380 Rent | 40,524.00 | * 2.90 |
| 5386 Insurance | 4,231.00 | * .30 |
| 5413 Office Supplies | 10,082.00 | * .72 |
| 5414 Contract Services | 5,691.00 | * .41 |
| 5417 Management Services | 24,000.00 | * 1.72 |
| 5418 Repair & Maintenance | 129.00 | * .01 |
| 5419 Bank Charges | 218.00 | * .02 |
| 5423 Telephone | 5,580.00 | * .40 |
| 5424 Dues & Subscriptions | 1,844.00 | * .13 |
| 5425 Education | 2,916.00 | * .21 |
| 5431 Advertising | 785.00 | * .06 |
| 5443 Supplies | 1,041.00 | * .07 |
| 5481 Utilities | 2,776.00 | * .20 |
| 5516 Travel/Vehicle Expense | 17,360.00 | * 1.24 |
| 8999 Miscellaneous | <668.00> | * -.05 |
| | ----- | |
| TOTAL Other Operating Expense | \$116,509.00 | * 8.35 |
| ----- | | |
| TOTAL EXPENSES | \$1,314,739.00 | * 94.20 |
| ===== | | |
| NET INCOME/LOSS (PRE-TAX) | \$80,911.00 | * 5.80 |

THE SERVICES COMPANY

Affected Overlay Account Audit Trail Report
Overlay Type: FINANCIAL STATEMENT FITConsolidated Report
Beginning January 1, 2000 To December, 2000

Page 1

| Acct# | Desc..... | HOST Beg..... | OL Adj..... | Adj Beg..... | HOST YTD..... | OL Adj..... | Adj YTD..... |
|-------|------------------------|---------------|-------------|--------------|---------------|-------------|---------------|
| 1200 | Receivables | 99,978.00 | .00 | 99,978.00 | -16,352.00 | 123,418.00 | 107,066.00 |
| 2131 | Accrued Payroll | -50,081.00 | .00 | -50,081.00 | -36,283.00 | -12,319.00 | -48,602.00 |
| 2132 | Accrued Payroll Deduct | -41,933.00 | .00 | -41,933.00 | -342,327.00 | 310,332.00 | -31,995.00 |
| 4231 | Temp Liability | .00 | .00 | .00 | -4.00 | 4.00 | .00 |
| 3101 | Cash Clearing | .00 | .00 | .00 | -4,968.00 | 4,968.00 | .00 |
| 4153 | State Revenue Support | .00 | .00 | .00 | -1,265,047.00 | -123,418.00 | -1,388,465.00 |
| 5410 | Salaries & Wages | .00 | .00 | .00 | 903,528.00 | 12,319.00 | 915,847.00 |
| 5701 | Payroll Taxes | .00 | .00 | .00 | 421,599.00 | -310,336.00 | 111,263.00 |
| 8999 | Miscellaneous | .00 | .00 | .00 | 4,300.00 | -4,968.00 | -668.00 |
| | | 7,964.00 | .00 | 7,964.00 | -335,554.00 | .00 | -335,554.00 |

No Begin Year (BOY) adjustments (first "OL Adj(ustment) column) are necessary because small business Host system was adjusted with a permanent Adjusting Journal Entry (AJE) prior to "closing" the previous year.

Similarly, a permanent AJE will be entered for the year ending 12/31/2000. Hence, no BOY entry will be necessary for the next fiscal year (2001).

Legend: [Adj]usted [Begin]ing] = [HOST [Begin]ing] + [Overlay [Adj]ust] | [Adj]usted [YTD] = [HOST [YTD]] + [ALL [Adj]usts]

THE SERVICES COMPANY
Affected Overlay Account Audit Trail Report
Overlay Type: FINANCIAL STATEMENT FIT
Consolidated Report
Beginning January 1, 2000 To December, 2000

Page 2

BEGIN OF YEAR (BOY) ADJUSTMENT OVERLAY RECORD
NO RECORD PRESENT

YEAR TO DATE (YTD) ADJUSTMENT OVERLAY RECORD

Description: KIND A

Record Date: 09-07-2001

| Acct Name | OL Adjust | Notation |
|-----------------------------|-------------|----------|
| 2131 Accrued Payroll | -12,319.00 | 1 |
| 5410 Salaries & Wages | 12,319.00 | 1 |
| 4231 Temp Liabilty | 4.00 | 2 |
| 5701 Payroll Taxes | -310,336.00 | 2 |
| 2132 Accrued Payroll Deduct | 310,332.00 | 2 |
| 1200 Receivables | 123,418.00 | 3 |
| 4153 State Revenue Support | -123,418.00 | 3 |
| 3101 Cash Clearing | 4,968.00 | 4 |
| 8999 Miscellaneous | -4,968.00 | 4 |
| | ----- | |
| | .00 | |

All permanent entries

Entered into small business host
system before closing

However, could have been done
after closing

Legend: [Adjusted Beginning]=[HOST Begining]+[Overlay Adjust] |
[Adjusted YTD]=[HOST YTD]+[ALL Adjusts]

Example 2: The Retail Company

Kind B: Service Center manages host system with small businesses support. Services Center manages Overlay system support. Electronic transfers are from Service Centers to Professionals.

Reports

Type: Controller (Money Management)

Periods:

1/1/2001 to 3/31/2001

1/1/2001 to 5/31/2001

3/31/2001 to 5/31/2001

Type: FIT

Periods:

1/1/2001 to 3/31/2001

Type: GAAP

Periods:

1/1/2001 to 3/31/2001

THE RETAIL COMPANY
Comparative Overlay Balance Sheets
Overlay Type: CONTROLLER
Consolidated Report
Beginning Year January 1, 2001 To March, 2001

| Acct# Account..... | Jan, 2001 | Mar, 2001 | Working Cap. | Source/Use |
|-----------------------------------|--------------|--------------|--------------|------------|
| ASSETS | | | | |
| Current Asset | | | | |
| ----- | | | | |
| 1005 Cash in Bank | <1,671.00> | 24,655.00 | 26,326.00 | |
| 1200 Receivables | .00 | .00 | .00 | |
| 1300 Inventory | 458,781.00 | 492,927.00 | 34,146.00 | |
| | ----- | ----- | ----- | |
| TOTAL Current Asset | \$457,110.00 | \$517,582.00 | 60,472.00 | |
| Fixed Asset | | | | |
| ----- | | | | |
| 2110 Leasehold Improvements | 73,891.00 | 73,891.00 | | .00 |
| 2120 Equipment | 53,788.00 | 53,788.00 | | .00 |
| 2130 Vehicles | 67,407.00 | 67,407.00 | | .00 |
| 2140 Office Equipment | 26,966.00 | 26,966.00 | | .00 |
| 2150 Computers & Accessories | 7,687.00 | 7,687.00 | | .00 |
| | ----- | ----- | | ----- |
| TOTAL Fixed Asset | \$229,739.00 | \$229,739.00 | | .00 |
| TOTAL ASSETS | \$686,849.00 | \$747,321.00 | 60,472.00 | .00 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| ----- | | | | |
| 4100 Accounts Payable | 268,075.00 | 282,009.00 | 13,934.00 | |
| 4220 Accrued Payroll | 18,575.00 | 16,469.00 | -2,106.00 | |
| 4230 Accrued Payroll Taxes | 12,138.00 | 12,550.00 | 412.00 | |
| 4250 Accrued Sales Taxes | 18,440.00 | 20,668.00 | 2,228.00 | |
| | ----- | ----- | ----- | |
| TOTAL Current Liabilities | \$317,228.00 | \$331,696.00 | 14,468.00 | |
| Long Term Liabilities | | | | |
| ----- | | | | |
| 4300 Notes/Contracts Payable | 147,000.00 | 146,212.00 | | -788.00 |
| 4500 Customer Deposits | 10,399.00 | 12,593.00 | | 2,194.00 |
| | ----- | ----- | | ----- |
| TOTAL Long Term Liabilities | \$157,399.00 | \$158,805.00 | | 1,406.00 |
| TOTAL LIABILITIES | \$474,627.00 | \$490,501.00 | 14,468.00 | 1,406.00 |
| OWNERS EQUITY | | | | |
| Owner Equity | | | | |
| ----- | | | | |
| 5000 Owner Loans/Draws | 128,234.00 | 178,234.00 | | 50,000.00 |
| 5500 Capital Stock | 20,000.00 | 20,000.00 | | .00 |
| 5600 Retained Earnings | 63,988.00 | 63,988.00 | | .00 |
| 5800 Dividends | .00 | <12,000.00> | | -12,000.00 |
| | ----- | ----- | | ----- |
| TOTAL Owner Equity | \$212,222.00 | \$250,222.00 | | 38,000.00 |
| Y-T-D EARNINGS | \$.00 | \$6,598.00 | | 6,598.00 |
| TOTAL OWNERS EQUITY | \$212,222.00 | \$256,820.00 | | 44,598.00 |
| | ----- | ----- | | ----- |
| LIABILITIES AND EQUITY | \$686,849.00 | \$747,321.00 | 14,468.00 | 46,004.00 |
| CHANGES IN WORKING CAPITAL | | | | |
| | | | 46,004.00 | 46,004.00 |
| CURRENT SUMMARIES | | | | |
| ----- | | | | |
| Total Current Assets | 457,110.00 | 517,582.00 | | |
| Total Current Liabilities | 317,228.00 | 331,696.00 | | |
| | ----- | ----- | | |
| Net Working Capital | 139,882.00 | 185,886.00 | | |
| Current Ratio | 1.4410 | 1.5604 | | |

Service Center maintains host system on money management (controllershship) basis - no overlay adjustments necessary.

THE RETAIL COMPANY
Comparative Overlay Balance Sheets
Overlay Type: CONTROLLER
Consolidated Report
Beginning Year January 1, 2001 to March, 2001

Proof for:
 Statement of Changes in Financial Position
 Cash Flow Statement

| | From Column | Cash Flow Statement | Change in Financial Position |
|-----------------------------|----------------|------------------------|------------------------------------|
| BOY Balances | | | |
| Cash | 1 | <1,671> | |
| Net Working Capital | 1 | | 139,882 |
| Sources/<Uses> | | | |
| Inventory | 3 | <34,146> | |
| Accounts Payable | 3 | 13,934 | |
| Accrued Payroll | 3 | <2,106> | |
| Accrued Payroll Taxes | 3 | 412 | |
| Accrued Sales Taxes | 3 | 2,228 | |
| Notes Payable | 4 | <788> | <788> |
| Customer Deposits | 4 | 2,194 | 2,194 |
| Owner Loan | 4 | 50,000 | 50,000 |
| Dividends | 4 | <12,000> | <12,000> |
| YTD Earnings (Profit) | 4 | 6,598 | 6,598 |
| YTD Balances | | | |
| Cash | | 24,655 | |
| Net Working Capital | | | 185,886 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of January, 2001 to March, 2001

Page 1

| | Period | %age |
|---------------------------------|--------------|----------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 6100 Retail Sales | 599,839.00 | * 102.66 |
| 6130 Finance Charges | <15,555.00> | * -2.66 |
| | ----- | |
| TOTAL Revenue | \$584,284.00 | * 100.00 |
| Cost of Sales/Revenues | | |
| ----- | | |
| 7000 Merchandise for Resale | 328,164.00 | * 56.17 |
| 7220 Contract Labor | 702.00 | * .12 |
| | ----- | |
| TOTAL Cost of Sales/Revenues | \$328,866.00 | * 56.29 |
| ----- | | |
| NET REVENUES | \$255,418.00 | * 43.71 |
| ===== | | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 8100 Salary, Wages, Commissions | 86,038.00 | * 14.73 |
| 8180 Corporate Officer Salary | 3,270.00 | * .56 |
| | ----- | |
| TOTAL Salary/Wages Expense | \$89,308.00 | * 15.29 |
| Tax Expenses | | |
| ----- | | |
| 8210 Payroll Taxes | 13,537.00 | * 2.32 |
| 8220 Sales/B&O Taxes | 5,373.00 | * .92 |
| 8290 Other Taxes/License | 59.00 | * .01 |
| | ----- | |
| TOTAL Tax Expenses | \$18,969.00 | * 3.25 |
| Fringe Benefits | | |
| ----- | | |
| 8300 Fringe Benefits | 720.00 | * .12 |
| 8310 Group Health Insur | 900.00 | * .15 |
| 8320 Group Life Insurance | 666.00 | * .11 |
| | ----- | |
| TOTAL Fringe Benefits | \$2,286.00 | * .39 |
| Other Operating Expense | | |
| ----- | | |
| 8401 Rent - Real Estate | 37,150.00 | * 6.36 |
| 8402 Rep/Maint Real Est | 217.00 | * .04 |
| 8411 Security Expense | 624.00 | * .11 |
| 8412 Telephone | 803.00 | * .14 |
| 8420 Utilities | 7,882.00 | * 1.35 |
| 8520 Professional Service | 900.00 | * .15 |
| 8600 Auto/Truck | 2,872.00 | * .49 |
| 8720 Equip Rep/Maint | 243.00 | * .04 |
| 8800 Supplies | 522.00 | * .09 |
| 8911 Advertising | 65,717.00 | * 11.25 |
| 8916 Laundry | 690.00 | * .12 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of January, 2001 to March, 2001

Page 2

| | Period | * | %age |
|----------------------------------|--------------|---|-------|
| 8931 Donations | 25.00 | * | .00 |
| 8932 Dues/Subscriptions | 934.00 | * | .16 |
| 8934 Interest/Bank Chrg | 3,712.00 | * | .64 |
| 8935 Retirement Benefits | 5,434.00 | * | .93 |
| 8936 Office Expense | 516.00 | * | .09 |
| 8938 Travel | 3,500.00 | * | .60 |
| 8941 Liability Insurance | 3,060.00 | * | .52 |
| 8999 Miscellaneous | 3,489.00 | * | .60 |
| <hr/> | | | |
| TOTAL Other Operating Expense | \$138,290.00 | * | 23.67 |
| <hr/> | | | |
| TOTAL EXPENSES | \$248,853.00 | * | 42.59 |
| <hr/> | | | |
| OPERATING SOURCES/APPLICATIONS | \$6,565.00 | * | 1.12 |
| <hr/> | | | |
| OTHER SOURCES/APPLICATIONS | | | |
| Non-Operating Income | | | |
| <hr/> | | | |
| 9710 Interest Income | 33.00 | * | .01 |
| <hr/> | | | |
| TOTAL Non-Operating Income | \$33.00 | * | .01 |
| <hr/> | | | |
| TOTAL OTHER SOURCES/APPLICATIONS | \$33.00 | * | .01 |
| <hr/> | | | |
| NET INCOME/LOSS (PRE-TAX) | \$6,598.00 | * | 1.13 |

Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 Beginning Year January 1, 2001 to March, 2001

Breakeven Point Analysis (BPA)

Elements

| | | |
|-------------------------------|-----------|---------|
| A. Total Revenue | \$584,284 | 100.00% |
| B. Net Operating Revenue | 255,418 | 43.71% |
| C. Total Expenses (Operating) | 248,853 | |
| D. Operating Profit/Loss | 6,565 | |

BPA calculations:

$$C = (\text{BPA}) \times 43.71\%$$

$$\$248,853 = (\text{BPA}) \times 43.71\%$$

BPA = \$569,327 (sales needed to break even in 3 months of operations)

Proof

| | |
|---------------------------|----------------|
| A. Total (3 months sales) | \$584,284 |
| Break Even Sales | <u>569,327</u> |
| Difference | \$14,957 |
| At 43.71% | 6,538 |
| D=6,565 | |

THE RETAIL COMPANY
Comparative Overlay Balance Sheets
Overlay Type: CONTROLLER
Consolidated Report
Beginning Year January 1, 2001 To May, 2001

| Acct# Account..... | Jan, 2001 | May, 2001 | Working Cap. | Source/Use |
|------------------------------|--------------|--------------|--------------|------------|
| ASSETS | | | | |
| Current Asset | | | | |
| ----- | | | | |
| 1005 Cash in Bank | <1,671.00> | 23,771.00 | 25,442.00 | |
| 1200 Receivables | .00 | .00 | .00 | |
| 1300 Inventory | 458,781.00 | 475,634.00 | 16,853.00 | |
| | ----- | ----- | ----- | |
| TOTAL Current Asset | \$457,110.00 | \$499,405.00 | 42,295.00 | |
| Fixed Asset | | | | |
| ----- | | | | |
| 2110 Leasehold Improvements | 73,891.00 | 73,891.00 | | .00 |
| 2120 Equipment | 53,788.00 | 53,788.00 | | .00 |
| 2130 Vehicles | 67,407.00 | 67,407.00 | | .00 |
| 2140 Office Equipment | 26,966.00 | 26,966.00 | | .00 |
| 2150 Computers & Accessories | 7,687.00 | 7,687.00 | | .00 |
| | ----- | ----- | ----- | ----- |
| TOTAL Fixed Asset | \$229,739.00 | \$229,739.00 | | .00 |
| TOTAL ASSETS | \$686,849.00 | \$729,144.00 | 42,295.00 | .00 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| ----- | | | | |
| 4100 Accounts Payable | 268,075.00 | 247,937.00 | -20,138.00 | |
| 4220 Accrued Payroll | 18,575.00 | 11,694.00 | -6,881.00 | |
| 4230 Accrued Payroll Taxes | 12,138.00 | 10,584.00 | -1,554.00 | |
| 4250 Accrued Sales Taxes | 18,440.00 | 16,792.00 | -1,648.00 | |
| | ----- | ----- | ----- | |
| TOTAL Current Liabilities | \$317,228.00 | \$287,007.00 | -30,221.00 | |
| Long Term Liabilities | | | | |
| ----- | | | | |
| 4300 Notes/Contracts Payable | 147,000.00 | 199,500.00 | | 52,500.00 |
| 4500 Customer Deposits | 10,399.00 | 10,381.00 | | -18.00 |
| | ----- | ----- | ----- | ----- |
| TOTAL Long Term Liabilities | \$157,399.00 | \$209,881.00 | | 52,482.00 |
| TOTAL LIABILITIES | \$474,627.00 | \$496,888.00 | -30,221.00 | 52,482.00 |
| | ----- | ----- | ----- | ----- |
| OWNERS EQUITY | | | | |
| Owner Equity | | | | |
| ----- | | | | |
| 5000 Owner Loans/Draws | 128,234.00 | 178,234.00 | | 50,000.00 |
| 5500 Capital Stock | 20,000.00 | 20,000.00 | | .00 |
| 5600 Retained Earnings | 63,988.00 | 63,988.00 | | .00 |
| 5800 Dividends | .00 | <20,000.00> | | -20,000.00 |
| | ----- | ----- | ----- | ----- |
| TOTAL Owner Equity | \$212,222.00 | \$242,222.00 | | 30,000.00 |
| Y-T-D EARNINGS | \$.00 | <\$9,966.00> | | -9,966.00 |
| TOTAL OWNERS EQUITY | \$212,222.00 | \$232,256.00 | | 20,034.00 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES AND EQUITY | \$686,849.00 | \$729,144.00 | -30,221.00 | 72,516.00 |
| | ===== | ===== | ===== | ===== |
| CHANGES IN WORKING CAPITAL | | | 72,516.00 | 72,516.00 |
| | | | ===== | ===== |
| CURRENT SUMMARIES | | | | |
| ----- | | | | |
| Total Current Assets | 457,110.00 | 499,405.00 | | |
| Total Current Liabilities | 317,228.00 | 287,007.00 | | |
| | ----- | ----- | | |
| Net Working Capital | 139,882.00 | 212,398.00 | | |
| Current Ratio | 1.4410 | 1.7400 | | |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of January, 2001 to May, 2001

Page 1

| | Period | %age |
|-------------------------------|--------------|----------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 6100 Retail Sales | 931,679.00 | * 102.52 |
| 6130 Finance Charges | <22,886.00> | * -2.52 |
| | ----- | |
| TOTAL Revenue | \$908,793.00 | * 100.00 |
| Cost of Sales/Revenues | | |
| ----- | | |
| 7000 Merchandise for Resale | 522,176.00 | * 57.46 |
| 7220 Contract Labor | 1,095.00 | * .12 |
| | ----- | |
| TOTAL Cost of Sales/Revenues | \$523,271.00 | * 57.58 |
| ----- | | |
| NET REVENUES | \$385,522.00 | * 42.42 |
| ===== | | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 8100 Salary,Wages,Commissions | 135,696.00 | * 14.93 |
| 8180 Corporate Officer Salary | 5,450.00 | * .60 |
| | ----- | |
| TOTAL Salary/Wages Expense | \$141,146.00 | * 15.53 |
| Tax Expenses | | |
| ----- | | |
| 8210 Payroll Taxes | 17,931.00 | * 1.97 |
| 8220 Sales/B&O Taxes | 8,657.00 | * .95 |
| 8230 Real Estate Tax | 6,905.00 | * .76 |
| 8290 Other Taxes/License | 59.00 | * .01 |
| | ----- | |
| TOTAL Tax Expenses | \$33,552.00 | * 3.69 |
| Fringe Benefits | | |
| ----- | | |
| 8300 Fringe Benefits | 720.00 | * .08 |
| 8310 Group Health Insur | 1,373.00 | * .15 |
| 8320 Group Life Insurance | 1,110.00 | * .12 |
| | ----- | |
| TOTAL Fringe Benefits | \$3,203.00 | * .35 |
| Other Operating Expense | | |
| ----- | | |
| 8401 Rent - Real Estate | 60,700.00 | * 6.68 |
| 8402 Rep/Maint Real Est | 341.00 | * .04 |
| 8411 Security Expense | 832.00 | * .09 |
| 8412 Telephone | 1,226.00 | * .13 |
| 8420 Utilities | 12,125.00 | * 1.33 |
| 8520 Professional Service | 1,500.00 | * .17 |
| 8600 Auto/Truck | 5,906.00 | * .65 |
| | | |
| 8720 Equip Rep/Maint | 337.00 | * .04 |
| 8800 Supplies | 637.00 | * .07 |
| 8911 Advertising | 106,583.00 | * 11.73 |
| 8916 Laundry | 1,204.00 | * .13 |
| 8931 Donations | 25.00 | * .00 |
| 8932 Dues/Subscriptions | 934.00 | * .10 |
| 8934 Interest/Bank Chrg | 6,100.00 | * .67 |
| 8935 Retirement Benefits | 5,907.00 | * .65 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of January, 2001 to May, 2001

Page 2

| | Period | | %age |
|----------------------------------|--------------|---|-------|
| 8936 Office Expense | 574.00 | * | .06 |
| 8938 Travel | 4,500.00 | * | .50 |
| 8941 Liability Insurance | 4,700.00 | * | .52 |
| 8999 Miscellaneous | 3,489.00 | * | .38 |
| <hr/> | | | |
| TOTAL Other Operating Expense | \$217,620.00 | * | 23.95 |
| <hr/> | | | |
| TOTAL EXPENSES | \$395,521.00 | * | 43.52 |
| <hr/> | | | |
| OPERATING SOURCES/APPLICATIONS | <\$9,999.00> | * | -1.10 |
| <hr/> | | | |
| OTHER SOURCES/APPLICATIONS | | | |
| Non-Operating Income | | | |
| <hr/> | | | |
| 9710 Interest Income | 33.00 | * | .00 |
| <hr/> | | | |
| TOTAL Non-Operating Income | \$33.00 | * | .00 |
| <hr/> | | | |
| TOTAL OTHER SOURCES/APPLICATIONS | \$33.00 | * | .00 |
| <hr/> | | | |
| NET INCOME/LOSS (PRE-TAX) | <\$9,966.00> | * | -1.10 |

THE RETAIL COMPANY
Comparative Overlay Balance Sheets
Overlay Type: CONTROLLER
Consolidated Report
Beginning April 1, 2001 To May, 2001

| Acct# Account..... | Apr, 2001 | May, 2001 | Working Cap. | Source/Use |
|------------------------------|--------------|--------------|--------------|------------|
| ASSETS | | | | |
| Current Asset | | | | |
| 1005 Cash in Bank | 24,655.00 | 23,771.00 | -884.00 | |
| 1200 Receivables | .00 | .00 | .00 | |
| 1300 Inventory | 492,927.00 | 475,634.00 | -17,293.00 | |
| TOTAL Current Asset | \$517,582.00 | \$499,405.00 | -18,177.00 | |
| Fixed Asset | | | | |
| 2110 Leasehold Improvements | 73,891.00 | 73,891.00 | | .00 |
| 2120 Equipment | 53,788.00 | 53,788.00 | | .00 |
| 2130 Vehicles | 67,407.00 | 67,407.00 | | .00 |
| 2140 Office Equipment | 26,966.00 | 26,966.00 | | .00 |
| 2150 Computers & Accessories | 7,687.00 | 7,687.00 | | .00 |
| TOTAL Fixed Asset | \$229,739.00 | \$229,739.00 | | .00 |
| TOTAL ASSETS | \$747,321.00 | \$729,144.00 | -18,177.00 | .00 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| 4100 Accounts Payable | 282,009.00 | 247,937.00 | -34,072.00 | |
| 4220 Accrued Payroll | 16,469.00 | 11,694.00 | -4,775.00 | |
| 4230 Accrued Payroll Taxes | 12,550.00 | 10,584.00 | -1,966.00 | |
| 4250 Accrued Sales Taxes | 20,668.00 | 16,792.00 | -3,876.00 | |
| TOTAL Current Liabilities | \$331,696.00 | \$287,007.00 | -44,689.00 | |
| Long Term Liabilities | | | | |
| 4300 Notes/Contracts Payable | 146,212.00 | 199,500.00 | | 53,288.00 |
| 4500 Customer Deposits | 12,593.00 | 10,381.00 | | -2,212.00 |
| TOTAL Long Term Liabilities | \$158,805.00 | \$209,881.00 | | 51,076.00 |
| TOTAL LIABILITIES | \$490,501.00 | \$496,888.00 | -44,689.00 | 51,076.00 |
| OWNERS EQUITY | | | | |
| Owner Equity | | | | |
| 5000 Owner Loans/Draws | 178,234.00 | 178,234.00 | | .00 |
| 5500 Capital Stock | 20,000.00 | 20,000.00 | | .00 |
| 5600 Retained Earnings | 63,988.00 | 63,988.00 | | .00 |
| 5800 Dividends | <12,000.00> | <20,000.00> | | -8,000.00 |
| TOTAL Owner Equity | \$250,222.00 | \$242,222.00 | | -8,000.00 |
| Y-T-D EARNINGS | \$6,598.00 | <\$9,966.00> | | -16,564.00 |
| TOTAL OWNERS EQUITY | \$256,820.00 | \$232,256.00 | | -24,564.00 |
| LIABILITIES AND EQUITY | \$747,321.00 | \$729,144.00 | -44,689.00 | 26,512.00 |
| CHANGES IN WORKING CAPITAL | | | 26,512.00 | 26,512.00 |
| CURRENT SUMMARIES | | | | |
| Total Current Assets | 517,582.00 | 499,405.00 | | |
| Total Current Liabilities | 331,696.00 | 287,007.00 | | |
| Net Working Capital | 185,886.00 | 212,398.00 | | |
| Current Ratio | 1.5604 | 1.7400 | | |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of April, 2001 to May, 2001

Page 1

| | Period | %age |
|---------------------------------|--------------|----------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 6100 Retail Sales | 331,840.00 | * 102.26 |
| 6130 Finance Charges | <7,331.00> | * -2.26 |
| ----- | | |
| TOTAL Revenue | \$324,509.00 | * 100.00 |
| Cost of Sales/Revenues | | |
| ----- | | |
| 7000 Merchandise for Resale | 194,012.00 | * 59.79 |
| 7220 Contract Labor | 393.00 | * .12 |
| ----- | | |
| TOTAL Cost of Sales/Revenues | \$194,405.00 | * 59.91 |
| ----- | | |
| NET REVENUES | \$130,104.00 | * 40.09 |
| ===== | | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 8100 Salary, Wages, Commissions | 49,658.00 | * 15.30 |
| 8180 Corporate Officer Salary | 2,180.00 | * .67 |
| ----- | | |
| TOTAL Salary/Wages Expense | \$51,838.00 | * 15.97 |
| Tax Expenses | | |
| ----- | | |
| 8210 Payroll Taxes | 4,394.00 | * 1.35 |
| 8220 Sales/B&O Taxes | 3,284.00 | * 1.01 |
| 8230 Real Estate Tax | 6,905.00 | * 2.13 |
| ----- | | |
| TOTAL Tax Expenses | \$14,583.00 | * 4.49 |
| Fringe Benefits | | |
| ----- | | |
| 8310 Group Health Insur | 473.00 | * .15 |
| 8320 Group Life Insurance | 444.00 | * .14 |
| ----- | | |
| TOTAL Fringe Benefits | \$917.00 | * .28 |
| Other Operating Expense | | |
| ----- | | |
| 8401 Rent - Real Estate | 23,550.00 | * 7.26 |
| 8402 Rep/Maint Real Est | 124.00 | * .04 |
| 8411 Security Expense | 208.00 | * .06 |
| 8412 Telephone | 423.00 | * .13 |
| 8420 Utilities | 4,243.00 | * 1.31 |
| 8520 Professional Service | 600.00 | * .18 |
| 8600 Auto/Truck | 3,034.00 | * .94 |
| 8720 Equip Rep/Maint | 94.00 | * .03 |
| 8800 Supplies | 115.00 | * .04 |
| 8911 Advertising | 40,866.00 | * 12.59 |
| 8916 Laundry | 514.00 | * .16 |
| 8934 Interest/Bank Chrg | 2,388.00 | * .74 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: CONTROLLER
 Consolidated Report
 For Months of April, 2001 to May, 2001

Page 2

| | Period | * | %age |
|----------------------------------|---------------|---|-------|
| 8935 Retirement Benefits | 473.00 | * | .15 |
| 8936 Office Expense | 58.00 | * | .02 |
| 8938 Travel | 1,000.00 | * | .31 |
| 8941 Liability Insurance | 1,640.00 | * | .51 |
| <hr/> | | | |
| TOTAL Other Operating Expense | \$79,330.00 | * | 24.45 |
| <hr/> | | | |
| TOTAL EXPENSES | \$146,668.00 | * | 45.20 |
| <hr/> | | | |
| OPERATING SOURCES/APPLICATIONS | <\$16,564.00> | * | -5.10 |
| OTHER SOURCES/APPLICATIONS | | | |
| Non-Operating Income | | | |
| <hr/> | | | |
| TOTAL Non-Operating Income | \$.00 | * | 0.00 |
| <hr/> | | | |
| TOTAL OTHER SOURCES/APPLICATIONS | \$.00 | * | 0.00 |
| <hr/> | | | |
| NET INCOME/LOSS (PRE-TAX) | <\$16,564.00> | * | -5.10 |

THE RETAIL COMPANY
Comparative Overlay Balance Sheets
Overlay Type: FIT
Consolidated Report
Beginning Year January 1, 2001 To March, 2001

| Acct# Account..... | Jan, 2001 | Mar, 2001 | Working Cap. | Source/Use |
|-------------------------------|--------------|--------------|--------------|------------|
| ASSETS | | | | |
| Current Asset | | | | |
| 1005 Cash in Bank | <1,671.00> | 24,655.00 | 26,326.00 | |
| 1200 Receivables | .00 | .00 | .00 | |
| 1300 Inventory | 458,781.00 | 492,927.00 | 34,146.00 | |
| TOTAL Current Asset | \$457,110.00 | \$517,582.00 | 60,472.00 | |
| Fixed Asset | | | | |
| 2110 Leasehold Improvements | 73,891.00 | 73,891.00 | | .00 |
| 2120 Equipment | 53,788.00 | 53,788.00 | | .00 |
| 2130 Vehicles | 67,407.00 | 67,407.00 | | .00 |
| 2140 Office Equipment | 26,966.00 | 26,966.00 | | .00 |
| 2150 Computers & Accessories | 7,687.00 | 7,687.00 | | .00 |
| 2999 Accumulated Depreciation | <149,397.00> | <153,547.00> | | -4,150.00 |
| TOTAL Fixed Asset | \$80,342.00 | \$76,192.00 | | -4,150.00 |
| TOTAL ASSETS | \$537,452.00 | \$593,774.00 | 60,472.00 | -4,150.00 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| 4100 Accounts Payable | 268,075.00 | 282,009.00 | 13,934.00 | |
| 4220 Accrued Payroll | 18,575.00 | 16,469.00 | -2,106.00 | |
| 4230 Accrued Payroll Taxes | 12,138.00 | 12,550.00 | 412.00 | |
| 4250 Accrued Sales Taxes | 18,440.00 | 20,668.00 | 2,228.00 | |
| TOTAL Current Liabilities | \$317,228.00 | \$331,696.00 | 14,468.00 | |
| Long Term Liabilities | | | | |
| 4300 Notes/Contracts Payable | 147,000.00 | 146,212.00 | | -788.00 |
| 4500 Customer Deposits | 10,399.00 | 12,593.00 | | 2,194.00 |
| TOTAL Long Term Liabilities | \$157,399.00 | \$158,805.00 | | 1,406.00 |
| TOTAL LIABILITIES | \$474,627.00 | \$490,501.00 | 14,468.00 | 1,406.00 |
| OWNERS EQUITY | | | | |
| Owner Equity | | | | |
| 5000 Owner Loans/Draws | 128,234.00 | 178,234.00 | | 50,000.00 |
| 5500 Capital Stock | 20,000.00 | 20,000.00 | | .00 |
| 5600 Retained Earnings | <85,409.00> | <85,409.00> | | .00 |
| 5800 Dividends | .00 | <12,000.00> | | -12,000.00 |
| 5003 FIT Travel & Entertainmt | .00 | <1,750.00> | | -1,750.00 |
| 5002 FIT Donations | .00 | <25.00> | | -25.00 |
| 5001 FIT Employee Benefits | .00 | <1,566.00> | | -1,566.00 |
| TOTAL Owner Equity | \$62,825.00 | \$97,484.00 | | 34,659.00 |
| Y-T-D EARNINGS | \$.00 | \$5,789.00 | | 5,789.00 |
| TOTAL OWNERS EQUITY | \$62,825.00 | \$103,273.00 | | 40,448.00 |
| LIABILITIES AND EQUITY | \$537,452.00 | \$593,774.00 | 14,468.00 | 41,854.00 |
| CHANGES IN WORKING CAPITAL | | | 46,004.00 | 46,004.00 |
| CURRENT SUMMARIES | | | | |
| Total Current Assets | 457,110.00 | 517,582.00 | | |
| Total Current Liabilities | 317,228.00 | 331,696.00 | | |
| Net Working Capital | 139,882.00 | 185,886.00 | | |
| Current Ratio | 1.4410 | 1.5604 | | |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: FIT
 Consolidated Report
 For Months of January, 2000 to March, 2000

Page 1

| | Period | %age |
|---------------------------------|--------------|----------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 6100 Retail Sales | 599,839.00 | * 102.66 |
| 6130 Finance Charges | <15,555.00> | * -2.66 |
| | ----- | |
| TOTAL Revenue | \$584,284.00 | * 100.00 |
| Cost of Sales/Revenues | | |
| ----- | | |
| 7000 Merchandise for Resale | 328,164.00 | * 56.17 |
| 7220 Contract Labor | 702.00 | * .12 |
| | ----- | |
| TOTAL Cost of Sales/Revenues | \$328,866.00 | * 56.29 |
| | ----- | |
| NET REVENUES | \$255,418.00 | * 43.71 |
| | ===== | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 8100 Salary, Wages, Commissions | 86,038.00 | * 14.73 |
| 8180 Corporate Officer Salary | 3,270.00 | * .56 |
| | ----- | |
| TOTAL Salary/Wages Expense | \$89,308.00 | * 15.29 |
| Tax Expenses | | |
| ----- | | |
| 8210 Payroll Taxes | 13,537.00 | * 2.32 |
| 8220 Sales/B&O Taxes | 5,373.00 | * .92 |
| 8290 Other Taxes/License | 59.00 | * .01 |
| | ----- | |
| TOTAL Tax Expenses | \$18,969.00 | * 3.25 |
| Fringe Benefits | | |
| ----- | | |
| 8300 Fringe Benefits | 720.00 | * .12 |
| 8310 Group Health Insur | 900.00 | * .15 |
| 8320 Group Life Insurance | 666.00 | * .11 |
| | ----- | |
| TOTAL Fringe Benefits | \$2,286.00 | * .39 |
| Other Operating Expense | | |
| ----- | | |
| 8401 Rent - Real Estate | 37,150.00 | * 6.36 |
| 8402 Rep/Maint Real Est | 217.00 | * .04 |
| 8411 Security Expense | 624.00 | * .11 |
| 8412 Telephone | 803.00 | * .14 |
| 8420 Utilities | 7,882.00 | * 1.35 |
| 8520 Professional Service | 900.00 | * .15 |
| 8600 Auto/Truck | 2,872.00 | * .49 |
| 8720 Equip Rep/Maint | 243.00 | * .04 |
| 8800 Supplies | 522.00 | * .09 |
| 8911 Advertising | 65,717.00 | * 11.25 |
| 8916 Laundry | 690.00 | * .12 |
| 8931 Donations | 25.00 | * .00 |
| 8932 Dues/Subscriptions | 934.00 | * .16 |
| 8934 Interest/Bank Chrg | 3,712.00 | * .64 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: FIT
 Consolidated Report
 For Months of January, 2000 to March, 2000

Page 2

| | Period | | %age |
|----------------------------------|--------------|---|-------|
| 8935 Retirement Benefits | 5,434.00 | * | .93 |
| 8936 Office Expense | 516.00 | * | .09 |
| 8938 Travel | 3,500.00 | * | .60 |
| 8941 Liability Insurance | 3,060.00 | * | .52 |
| 8999 Miscellaneous | 3,489.00 | * | .60 |
| <hr/> | | | |
| TOTAL Other Operating Expense | \$138,290.00 | * | 23.67 |
| <hr/> | | | |
| TOTAL EXPENSES | \$248,853.00 | * | 42.59 |
| <hr/> | | | |
| OPERATING SOURCES/APPLICATIONS | \$6,565.00 | * | 1.12 |
| OTHER SOURCES/APPLICATIONS | | | |
| Non-Operating Income | | | |
| <hr/> | | | |
| 9710 Interest Income | 33.00 | * | .01 |
| <hr/> | | | |
| TOTAL Non-Operating Income | \$33.00 | * | .01 |
| <hr/> | | | |
| TOTAL OTHER SOURCES/APPLICATIONS | \$33.00 | * | .01 |
| <hr/> | | | |
| NET INCOME/LOSS (PRE-TAX) | \$6,598.00 | * | 1.13 |

THE RETAIL COMPANY
Affected Overlay Account Audit Trail Report
Overlay Type: FIT
Consolidated Report
Beginning January 1, 2001 To March, 2001

| Acct# | Desc..... | HOST Beg..... | OL Adj..... | Adj Beg..... | HOST YTD..... | OL Adj..... | Adj YTD..... |
|-------|----------------------------|---------------|-------------|--------------|---------------|-------------|--------------|
| 2999 | Accumulated Depreciation | .00 | -149,397.00 | -149,397.00 | .00 | -4,150.00 | -153,547.00 |
| 5600 | Retained Earnings | -63,988.00 | 149,397.00 | 85,409.00 | -63,988.00 | .00 | 85,409.00 |
| 5003 | FIT Travel & Entertainment | .00 | .00 | .00 | .00 | 1,750.00 | 1,750.00 |
| 5002 | FIT Donations | .00 | .00 | .00 | .00 | 25.00 | 25.00 |
| 5001 | FIT Employee Benefits | .00 | .00 | .00 | .00 | 1,566.00 | 1,566.00 |
| 8310 | Group Health Insur | .00 | .00 | .00 | .00 | -900.00 | .00 |
| 8320 | Group Life Insurance | .00 | .00 | .00 | .00 | -666.00 | .00 |
| 8931 | Donations | .00 | .00 | .00 | .00 | -25.00 | .00 |
| 8938 | Travel | .00 | .00 | .00 | 3,500.00 | -1,750.00 | 1,750.00 |
| 8997 | Depreciation | .00 | .00 | .00 | .00 | 4,150.00 | 4,150.00 |
| | | -63,988.00 | .00 | -63,988.00 | -58,897.00 | .00 | -58,897.00 |

Legend: [Adj]usted Beginning]=[HOST Beginning]+[Overlay Adj]ust | [Adj]usted YTD]=[HOST YTD]+[ALL Adj]usts]

THE RETAIL COMPANY
 Affected Overlay Account Audit Trail Report
 Overlay Type: FIT
 Consolidated Report
 Beginning January 1, 2001 To March, 2001

Page 2

BEGIN OF YEAR (BOY) ADJUSTMENT OVERLAY RECORD

Description: TO RECORD FIT DEPR

Record Date: 07-10-2001

| Acct Name | OL Adjust | Notation |
|-------------------------------|-------------|----------|
| 2999 Accumulated Depreciation | -149,397.00 | 1 |
| 5600 Retained Earnings | 149,397.00 | 1 |
| | ----- | |
| | .00 | |

1. Non Cash Entry

YEAR TO DATE (YTD) ADJUSTMENT OVERLAY RECORD

Description: TO ADJUST FOR FIT

Record Date: 07-10-2001

| Acct Name | OL Adjust | Notation |
|-------------------------------|-----------|----------|
| 8310 Group Health Insur | -900.00 | 2 |
| 5001 FIT Employee Benefits | 900.00 | 2 |
| 8320 Group Life Insurance | -666.00 | 2 |
| 5001 FIT Employee Benefits | 666.00 | 2 |
| 8931 Donations | -25.00 | 2 |
| 5002 FIT Donations | 25.00 | 2 |
| 8938 Travel | -1,750.00 | 2 |
| 5003 FIT Travel & Entertainmt | 1,750.00 | 2 |
| 2999 Accumulated Depreciation | -4,150.00 | 3 |
| 8997 Depreciation | 4,150.00 | 3 |
| | ----- | |
| | .00 | |

2. Reclassification
of expenses

3. Non-Cash Entry

Reclassification entries are involved for interim and year end reports. However, at EOY these entries are not conveyed over to 2002 because the host closing process properly closes them into Retained Earnings.

Legend: [Adjusted Beginning]=[HOST Begining]+[Overlay Adjust] |
 [Adjusted YTD]=[HOST YTD]+[ALL Adjusts]

THE RETAIL COMPANY

Comparative Overlay Balance Sheets
 Overlay Type: GAAP
 Consolidated Report
 Beginning Year January 1, 2001 To March, 2001

| Acct# Account..... | Jan, 2001 | Mar, 2001 | Working Cap. | Source/Use |
|------------------------------------|---------------------|---------------------|------------------|------------------|
| ASSETS | | | | |
| Current Asset | | | | |
| 1005 Cash in Bank | <1,671.00> | 24,655.00 | 26,326.00 | |
| 1200 Receivables | .00 | .00 | .00 | |
| 1300 Inventory | 458,781.00 | 492,927.00 | 34,146.00 | |
| TOTAL Current Asset | \$457,110.00 | \$517,582.00 | 60,472.00 | |
| Fixed Asset | | | | |
| 2110 Leasehold Improvements | 73,891.00 | 73,891.00 | | .00 |
| 2120 Equipment | 53,788.00 | 53,788.00 | | .00 |
| 2130 Vehicles | 67,407.00 | 67,407.00 | | .00 |
| 2140 Office Equipment | 26,966.00 | 26,966.00 | | .00 |
| 2150 Computers & Accessories | 7,687.00 | 7,687.00 | | .00 |
| 2999 Accumulated Depreciation | <93,132.00> | <98,762.00> | | -5,630.00 |
| TOTAL Fixed Asset | \$136,607.00 | \$130,977.00 | | -5,630.00 |
| TOTAL ASSETS | \$593,717.00 | \$648,559.00 | 60,472.00 | -5,630.00 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| 4100 Accounts Payable | 268,075.00 | 282,009.00 | 13,934.00 | |
| 4220 Accrued Payroll | 18,575.00 | 16,469.00 | -2,106.00 | |
| 4230 Accrued Payroll Taxes | 12,138.00 | 12,550.00 | 412.00 | |
| 4250 Accrued Sales Taxes | 18,440.00 | 20,668.00 | 2,228.00 | |
| TOTAL Current Liabilities | \$317,228.00 | \$331,696.00 | 14,468.00 | |
| Long Term Liabilities | | | | |
| 4300 Notes/Contracts Payable | 147,000.00 | 146,212.00 | | -788.00 |
| 4500 Customer Deposits | 10,399.00 | 12,593.00 | | 2,194.00 |
| TOTAL Long Term Liabilities | \$157,399.00 | \$158,805.00 | | 1,406.00 |
| TOTAL LIABILITIES | \$474,627.00 | \$490,501.00 | 14,468.00 | 1,406.00 |
| OWNERS EQUITY | | | | |
| Owner Equity | | | | |
| 5000 Owner Loans/Draws | 128,234.00 | 178,234.00 | | 50,000.00 |
| 5500 Capital Stock | 20,000.00 | 20,000.00 | | .00 |
| 5600 Retained Earnings | <29,144.00> | <29,144.00> | | .00 |
| 5800 Dividends | .00 | <12,000.00> | | -12,000.00 |
| TOTAL Owner Equity | \$119,090.00 | \$157,090.00 | | 38,000.00 |
| Y-T-D EARNINGS | \$.00 | \$968.00 | | 968.00 |
| TOTAL OWNERS EQUITY | \$119,090.00 | \$158,058.00 | | 38,968.00 |
| LIABILITIES AND EQUITY | \$593,717.00 | \$648,559.00 | 14,468.00 | 40,374.00 |
| CHANGES IN WORKING CAPITAL | | | 46,004.00 | 46,004.00 |
| CURRENT SUMMARIES | | | | |
| Total Current Assets | 457,110.00 | 517,582.00 | | |
| Total Current Liabilities | 317,228.00 | 331,696.00 | | |
| Net Working Capital | 139,882.00 | 185,886.00 | | |
| Current Ratio | 1.4410 | 1.5604 | | |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
 Overlay Type: GAAP
 Consolidated Report
 For Months of January, 2001 to March, 2001

Page 1

| | Period | %age |
|-------------------------------|---------------------|----------------|
| OPERATING REVENUES | | |
| Revenue | | |
| ----- | | |
| 6100 Retail Sales | 599,839.00 | * 102.66 |
| 6130 Finance Charges | <15,555.00> | * -2.66 |
| | ----- | |
| TOTAL Revenue | \$584,284.00 | * 100.00 |
| Cost of Sales/Revenues | | |
| ----- | | |
| 7000 Merchandise for Resale | 328,164.00 | * 56.17 |
| 7220 Contract Labor | 702.00 | * .12 |
| | ----- | |
| TOTAL Cost of Sales/Revenues | \$328,866.00 | * 56.29 |
| ----- | | |
| NET REVENUES | \$255,418.00 | * 43.71 |
| ===== | | |
| OPERATING EXPENSES | | |
| Salary/Wages Expense | | |
| ----- | | |
| 8100 Salary,Wages,Commissions | 86,038.00 | * 14.73 |
| 8180 Corporate Officer Salary | 3,270.00 | * .56 |
| | ----- | |
| TOTAL Salary/Wages Expense | \$89,308.00 | * 15.29 |
| Tax Expenses | | |
| ----- | | |
| 8210 Payroll Taxes | 13,537.00 | * 2.32 |
| 8220 Sales/B&O Taxes | 5,373.00 | * .92 |
| 8290 Other Taxes/License | 59.00 | * .01 |
| | ----- | |
| TOTAL Tax Expenses | \$18,969.00 | * 3.25 |
| Fringe Benefits | | |
| ----- | | |
| 8300 Fringe Benefits | 720.00 | * .12 |
| 8310 Group Health Insur | 900.00 | * .15 |
| 8320 Group Life Insurance | 666.00 | * .11 |
| | ----- | |
| TOTAL Fringe Benefits | \$2,286.00 | * .39 |
| Other Operating Expense | | |
| ----- | | |
| 8401 Rent - Real Estate | 37,150.00 | * 6.36 |
| 8402 Rep/Maint Real Est | 217.00 | * .04 |
| 8411 Security Expense | 624.00 | * .11 |
| 8412 Telephone | 803.00 | * .14 |
| 8420 Utilities | 7,882.00 | * 1.35 |
| 8520 Professional Service | 900.00 | * .15 |
| 8600 Auto/Truck | 2,872.00 | * .49 |
| 8720 Equip Rep/Maint | 243.00 | * .04 |
| 8800 Supplies | 522.00 | * .09 |
| 8911 Advertising | 65,717.00 | * 11.25 |
| 8916 Laundry | 690.00 | * .12 |
| 8931 Donations | 25.00 | * .00 |
| 8932 Dues/Subscriptions | 934.00 | * .16 |
| 8934 Interest/Bank Chrg | 3,712.00 | * .64 |

THE RETAIL COMPANY
 Overlay Statement of Profit/Loss
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 For Months of January, 2001 to March, 2001

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| | Period | | %age |
|---|---------------------------|----------|--------------|
| 8935 Retirement Benefits | 5,434.00 | * | .93 |
| 8936 Office Expense | 516.00 | * | .09 |
| 8938 Travel | 3,500.00 | * | .60 |
| 8941 Liability Insurance | 3,060.00 | * | .52 |
| 8999 Miscellaneous | 3,489.00 | * | .60 |
| TOTAL Other Operating Expense | \$138,290.00 | * | 23.67 |
| TOTAL EXPENSES | \$248,853.00 | * | 42.59 |
| OPERATING SOURCES/APPLICATIONS | \$6,565.00 | * | 1.12 |
| OTHER SOURCES/APPLICATIONS | | | |
| Non-Operating Income | | | |
| 9710 Interest Income | 33.00 | * | .01 |
| TOTAL Non-Operating Income | \$33.00 | * | .01 |
| Non-Operating Expenses | | | |
| 8997 Depreciation | 5,630.00 | * | .96 |
| TOTAL Non-Operating Expenses | \$5,630.00 | * | .96 |
| TOTAL OTHER SOURCES/APPLICATIONS | <\$5,597.00> | * | -.96 |
| NET INCOME/LOSS (PRE-TAX) | \$968.00 | * | .17 |

THE RETAIL COMPANY

Affected Overlay Account Audit Trail Report

Overlay Type: GAAP

Consolidated Report

Beginning January 1, 2001 To March, 2001

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| Acct# | Desc..... | HOST Beg..... | OL Adj..... | Adj Beg..... | HOST YTD..... | OL Adj..... | Adj YTD..... |
|-------|--------------------------|---------------|-------------|--------------|---------------|-------------|--------------|
| 2999 | Accumulated Depreciation | .00 | -93,132.00 | -93,132.00 | .00 | -5,630.00 | -98,762.00 |
| 5600 | Retained Earnings | -63,988.00 | 93,132.00 | 29,144.00 | -63,988.00 | .00 | 29,144.00 |
| 8997 | Depreciation | .00 | .00 | .00 | .00 | 5,630.00 | 5,630.00 |
| | | -63,988.00 | .00 | -63,988.00 | -63,988.00 | .00 | -63,988.00 |

Legend: [Adj]usted Beginning=[HOST Beginning]+[Overlay Adj]ust | [Adj]usted YTD=[HOST YTD]+[ALL Adj]usts]

THE RETAIL COMPANY
Affected Overlay Account Audit Trail Report
Overlay Type: GAAP
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Beginning January 1, 2001 To March, 2001

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BEGIN OF YEAR (BOY) ADJUSTMENT OVERLAY RECORD

Description: TO ADJUST FOR DEPR

Record Date: 07-10-2001

| Acct Name | OL Adjust | Notation |
|-------------------------------|------------|----------|
| 2999 Accumulated Depreciation | -93,132.00 | 4 |
| 5600 Retained Earnings | 93,132.00 | 4 |
| | ----- | |
| | .00 | |

YEAR TO DATE (YTD) ADJUSTMENT OVERLAY RECORD

Description: TO ADJUST FOR DEPR

Record Date: 07-10-2001

| Acct Name | OL Adjust | Notation |
|-------------------------------|-----------|----------|
| 2999 Accumulated Depreciation | -5,630.00 | 5 |
| 8997 Depreciation | 5,630.00 | 5 |
| | ----- | |
| | .00 | |

Legend: [Adjusted Beginning]=[HOST Begining]+[Overlay Adjust] |
[Adjusted YTD]=[HOST YTD]+[ALL Adjusts]